

ASRS WEEKLY REPORT

ARIZONA STATE RETIREMENT SYSTEM

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For the week ending Friday, June 23, 2006

This electronic report provides a briefing of news and notices important to our employer partners and our members. Please direct comments to WeeklyReport@azasrs.gov.

ASRS Member News

ASRS and Retirement Legislation from the 2006 Legislature

The 47th Legislature-Second Regular Session adjourned sine die on June 22, 2006. The general effective date for bills passed is September 21, 2006.

Below is a brief summary of bills that have been passed into law that may affect ASRS members. To view legislation in its entirety, please visit the Arizona State Legislature website at www.azleg.gov

House Bill 2103 – Termination Incentive Program (Laws 2006, Chapter 106)

This bill, signed by the Governor on April 12, 2006, clarifies statutory language put in place last year by changing the term “retirement” to “termination.” The statute regulates employer incentive programs that lead to employees terminating employment and any monetary incentives that may be provided that may affect contributions due to the ASRS.

House Bill 2340 – Repeal of the ASRS Modified DROP Program (Laws 2006, Chapter 12)

This bill, signed by the Governor on March 24, 2006, repeals statutes passed into law in 2001 and modified in 2003 that allowed for the creation of a Deferred Retirement Option Plan to be offered through the ASRS. Implementation of a modified DROP program would have lead to increased contribution rates for all members and employers.

Senate Bill 1167 – Optional Forms of Retirement (Laws 2006, Chapter 309)

This bill, signed by the Governor on June 1, 2006, amends statutes to limit the ability of a retired member of the ASRS to alternate between retirement benefit options. A retiree may exercise a one-time election to rescind the joint and survivor annuity or period-certain option and select a new annuity option, if the originally named annuitant dies or ceases to be a contingent annuitant under the terms of a qualified domestic relations order.

Note: The ASRS is awaiting a private letter ruling from the Internal Revenue Service that is required prior to implementation of this statute.

Senate Bill 1168 – Federal Conforming Changes (Laws 2006, Chapter 157)

Modifies state statutes to conform to federal law regarding: contributions paid for qualifying active members called to active military service; beneficiaries and payments made when no beneficiary survives the member; survivor benefit calculations and granting the ASRS Board the authority to determine a rate; and minimum required distributions of retirement benefits in accordance with the Internal Revenue Code.

House Bill 2082 – Spousal Notification (Laws 2006, Chapter 103)

This bill, signed by the Governor on April 12, places in law the following requirements on the part of the ASRS member:

- > A member is required to notify their current spouse at a beneficiary is designated, if the beneficiary designated is someone other than the current spouse; and,
- > A member is required to notify their current spouse at any time a change to their beneficiary or annuity option is made, if the current spouse is a beneficiary.

House Bill 2113 – Continuation of the ASRS (Laws 2006, Chapter 125)

This bill, signed by the Governor on May 8, 2006, extends the statutory life of the ASRS for 10 years through July 1, 2016.

2006-07 Fiscal Year Contribution Rates Begin July 1

Contribution rates for the ASRS defined benefit plan are scheduled to increase for the fiscal year that begins July 1, 2006.

Under legislation passed last year, contribution rates are to be reviewed and adjusted annually to ensure the pension plan, health insurance premium benefit program and long term disability plan remain fiscally sound. There are two separate rates – the pension & health insurance benefit plan, which is a pre-tax contribution, and the long term disability program, which is a post-tax contribution. The LTD program rate will remain at this year's rate: 0.5 percent. The pension and health insurance benefit plan rate will increase from the current rate of 6.9 percent to 8.6 percent.

The combined contribution rate, paid by both the employee and employer, will increase from the current 7.4 percent to 9.1 percent beginning July 1, 2006. The new rate will be applied to pay periods with pay period ending dates on and after July 1 and be reflected in subsequent paychecks.

Contribution rates have been on an upward trend over the past three years due to several factors, primarily: past increases in the benefit package, low mid-term earnings on the fund, historically low contribution rates that were supplemented by excess earnings, and changing member demographics related to increased life expectancy.

	ASRS Contribution Rate Fiscal 2006-07 (Effective July 1, 2006)		
	Retirement Pension & Health Insurance Benefit	Long Term Disability Income Plan	Total
Employee	8.60%	0.50%	9.10%
Employer	8.60%	0.50%	9.10%

For more information on the ASRS pension plan and contribution rates, please visit the ASRS website at www.azasrs.gov

Educational meetings offered to inform, assist members

The Member Services Division of the ASRS conducts educational meetings available to all members. Whether you're newly hired and want to learn about the benefits available to you, or you're ready to retire and want assistance filling out your paperwork and making annuity selections, the ASRS has a meeting for you.

Group Meetings are designed for members within one year of retiring. You'll learn about potential monthly benefits and options, completing retirement paperwork, health insurance, and return-to-work options.

Seminars are open to all members and are especially helpful to new members. You'll learn about the ASRS, benefits as an active, inactive and retired member, member responsibilities, retirement benefit calculations, wills and trusts and Social Security benefits.

Service Purchase Meetings are open to all members. Here you'll learn about the Service Purchase Program, the process for purchasing service, types of service available for purchase, cost calculations and payment options.

Visit our website and click on the Calendars section to see a full listing. Reservations are required and can be made by calling the Member Service Advisory Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside Phoenix and Tucson.

ASRS Retiree News

2006 Permanent Benefit Increase Information

At the start of each fiscal year, July 1, the Arizona State Retirement System Board of Trustees applies the Permanent Benefit Increase (PBI) to retirees' pension checks. Funds for a PBI are generated by excess earnings on the actuarial value of assets of the ASRS fund.

Although the PBI helps mitigate inflation, it is not tied to the federal Cost of Living Index and is not structured to be increased every year. However, once granted, a PBI cannot be taken away.

The method of applying gains and losses to the ASRS fund includes three recent years when earnings were less than the ASRS assumed earnings rate of 8 percent. As a result, there are no new funds to provide for a new PBI for the 2006-07 fiscal year.

Likewise, there are no new funds to generate an additional Enhanced PBI, which has been granted in the past when earnings accumulated on the monies set aside to pay the PBI.

Retirees of the Defined Benefit Plan who have received PBI and EPBI increases in past years will continue to receive these in their pension check, but there will be no increase this year.

Retirees will not see any decrease in their monthly pension. Permanent Benefit Increases may be granted in future years should sustained annual earnings exceed the plan's assumed earnings rate of 8 percent.

ASRS Employer News

2006 Employer Conference Information

The ASRS 2006 Employer Conference series is scheduled to begin in August with meetings taking place throughout the state.

These meetings are for representatives from member employer Payroll, Benefits and Human Resource departments and any staff who provide administrative support.

Meetings will be from 8:30 a.m. to 12:30 p.m. See schedule below.

Come learn about:

New legislation & legislative changes

Updates on contribution reporting

Rulemaking updates, including membership rules

Records management & the employer's responsibilities

Contribution rates and Permanent Benefit Increase

Advances in automated processes, including on-line forms

Updates to the ASRS website, including the new My ASRS Homepage

The ASRS Health Insurance and Long Term Disability programs

Additional meetings have been added to the Phoenix schedule with new dates in October and November this year! And, special meetings have been scheduled just for state agencies for September 7 at the ADOA Phoenix office.

Reservations Required for All Meetings!

Please RSVP at least two weeks in advance. Include in your email: the employer name, mailing address, name of those attending and their titles, contact phone number with area code, date & location of the meeting you'd like to attend. Send your email today to: weeklyreport@azasrs.gov

2006 Schedule

Phoenix

ASRS Office, 3300 N. Central Avenue
10th floor Board Room

August 2, 3, 8, 10, 15, 17, 29, 30
October 10 November 1

Tucson

ASRS Office, 7660 E. Broadway Blvd.
Suite 101

August 9, 31 September 28

Flagstaff

Coconino County Community College-4th St. Campus
3000 N. Fourth St., Lecture Room B34

August 22

Holbrook

Northland Pioneer College-Painted Desert Campus
Community Center, 2251 E. Navajo Blvd.

August 23

Show Low

Northland Pioneer College-White Mountain Campus
PC 101, 1001 W. Deuce of Clubs

August 24

Yuma

City of Yuma Complex-Conference Room 142
One City Plaza

September 12

Kingman

Kingman School District Board Room
3033 MacDonald Avenue

September 13

Prescott

Yavapai College-Performance Hall Green Room
1100 E. Sheldon Road

September 14

Bisbee

Cochise County Equipment Road Yard
1229 Hereford Road

September 19

Safford

City Hall Annex
808 S. Eighth Avenue

September 20

Globe

Gila County Courthouse-Board of Supervisors Hearing Room
1400 E. Ash Street

September 21

Special Meetings State Agencies Only

ADOA Phoenix Office
100 N. 15th Ave., 3rd Floor Conference Room

September 7
9-11 a.m. & 1-3 p.m.

ASRS Board & Committee Meetings

ASRS Board of Trustees

Friday, July 21, 2006, 8:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.

Operations Committee

Thursday, July 27, 2006, 10:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Investment Committee

Wednesday, August 2, 2006, 5:30 p.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

External Affairs Committee

Friday, August 4, 2006, 10 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.